

**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

February 12, 2018

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Van Meter, Iowa.

The City's receipts totaled \$1,739,813 for the year ended June 30, 2017, a 10.5% increase over the prior year. The receipts included \$425,493 in property tax, \$298,926 from tax increment financing, \$728,330 from charges for service, \$276,818 from operating grants, contributions and restricted interest, \$5,446 from unrestricted interest on investments and \$4,800 from commercial/industrial tax replacement.

Disbursements for the year ended June 30, 2017 totaled \$1,636,221, a 3.3% decrease from the prior year, and included \$278,862 for public safety, \$242,514 for culture and recreation and \$189,502 for public works. Also, disbursements for business type activities totaled \$409,499.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1721-0239-B00F>.

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CITY OF VAN METER
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2017

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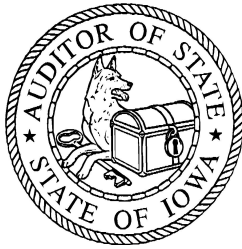
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City of Van Meter

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Allan Adams	Mayor	Jan 2020
Kimberly Sacker	Mayor Pro tem	Jan 2020
Adam Lamoureux (Appointed Dec 2016)	Council Member	Nov 2017
Mike Peterson	Council Member	Jan 2018
Owen Stump	Council Member	Jan 2018
Elizabeth Tweed	Council Member	(Resigned Oct 2016)
Lyn Lyon	Council Member	Jan 2020
Jake Anderson	City Administrator/City Clerk	Indefinite
Liz Thompson	Deputy Clerk	Indefinite
Erik Fisk	Attorney	Indefinite

City of Van Meter



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Van Meter, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Van Meter as of June 30, 2017, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Van Meter's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2016 (which is not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 14 and 34 through 40, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2018 on our consideration of the City of Van Meter's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Van Meter's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mary Mosiman". The script is cursive and fluid.

MARY MOSIMAN, CPA
Auditor of State

January 23, 2018

City of Van Meter

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Van Meter provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 4.8%, or approximately \$58,000, from fiscal year 2016. Operating grants, contributions and restricted interest decreased slightly by approximately \$900, and tax increment financing increased approximately \$8,000 due to an increase in the tax increment financing debt certified for fiscal year 2017.
- Disbursements of the City's governmental activities decreased 8.3%, or approximately \$112,000, in fiscal year 2017 from fiscal year 2016. Public safety, public works and culture and recreation disbursements decreased approximately \$26,000, \$61,000 and \$13,000, respectively. This decrease was primarily due to the City purchasing more public safety equipment and completing more road repair in the prior year than in fiscal year 2017. The decrease was also due to the City creating a Parks and Recreation Department in the prior year, resulting in higher costs in the prior year.
- The City's total cash basis net position increased 9.4%, or \$103,592 from June 30, 2016 to June 30, 2017. Of this amount, the cash basis net position of governmental activities increased \$90,869 and the cash basis net position of business type activities increased \$12,723.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

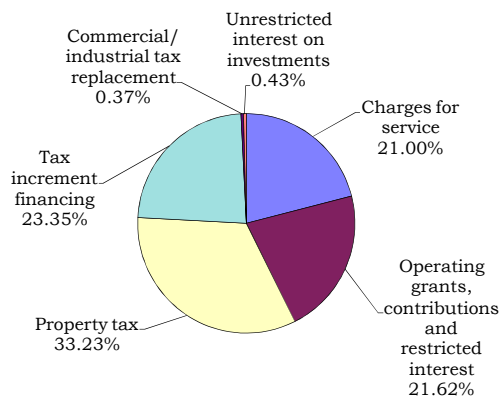
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

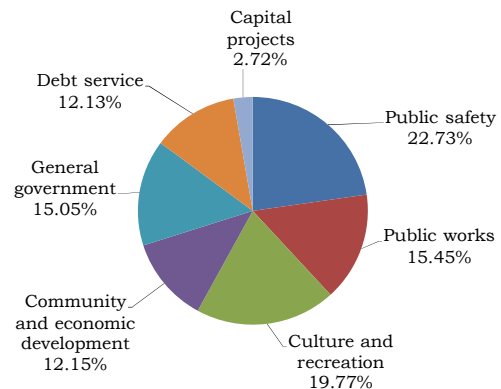
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$958,000 to approximately \$1,049,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service	\$ 268,901	235,167
Operating grants, contributions and restricted interest	276,818	277,709
General receipts:		
Property tax	425,493	407,558
Tax increment financing	298,926	290,991
Commercial/industrial tax replacement	4,800	6,370
Unrestricted interest on investments	5,446	4,378
Total receipts	1,280,384	1,222,173
Disbursements:		
Public safety	278,862	304,451
Public works	189,502	250,197
Culture and recreation	242,514	255,868
Community and economic development	149,065	122,717
General government	184,676	216,856
Debt service	148,777	151,453
Capital projects	33,326	36,825
Total disbursements	1,226,722	1,338,367
Change in cash basis net position before transfers	53,662	(116,194)
Transfers, net	37,207	-
Change in cash basis net position	90,869	(116,194)
Cash basis net position beginning of year	957,984	1,074,178
Cash basis net position end of year	\$ 1,048,853	957,984

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 4.8%, or approximately \$58,000, over the prior year. The total cost of all programs and services decreased approximately \$112,000, or 8.3%, from the prior year with the City adding a Parks and Recreation Department in the prior year. The increase in receipts was primarily the result of an increase in charges for service resulting from additional franchise fee collections in fiscal year 2017 as well as an increase in property tax receipts.

The cost of all governmental activities this year was approximately \$1,227,000 compared to approximately \$1,338,000 last year. However, as shown in the Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$681,000 because some of the cost was paid by those who directly benefited from the programs (approximately \$269,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$277,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest and commercial/industrial tax replacement. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2017 from approximately \$513,000 to approximately \$546,000, principally due to an increase in franchise fee collections and fees collected for services provided by the Parks and Recreation Department.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 297,566	209,865
Sewer	161,863	142,580
Total receipts	459,429	352,445
Disbursements:		
Water	251,322	211,321
Sewer	158,177	143,169
Total disbursements	409,499	354,490
Change in cash basis net position before transfers	49,930	(2,045)
Transfers, net	(37,207)	-
Change in cash basis net position	12,723	(2,045)
Cash basis net position beginning of year	141,718	143,763
Cash basis net position end of year	\$ 154,441	141,718

The City's cash balance for business type activities increased from \$141,718 to \$154,441.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Van Meter completed the year, its governmental funds reported a combined fund balance of \$1,048,853, an increase of \$90,869 from last year's total of \$957,984. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$29,609 from the prior year to \$198,655, primarily due to an increase in franchise fee collections.
- The Special Revenue, Road Use Tax Fund cash balance increased \$41,123 to \$101,510. This increase was due to less street maintenance work in fiscal year 2017 than in the prior fiscal year.

- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$101,563 to \$490,141. These resources will be used to pay certified TIF indebtedness.
- The Debt Service Fund cash balance decreased \$14,119 to \$(9,118). The decrease is primarily due to the timing of transfers to the Debt Service Fund.
- The Capital Projects Fund cash balance decreased \$47,156 to \$100,233. The decrease is primarily due to ongoing capital projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$9,037 to \$138,971 primarily due to an increase in water rates. \$37,710 of the cash balance is restricted for capital projects.
- The Enterprise, Sewer Fund cash balance increased \$3,686 to \$15,470.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on June 15, 2017 and resulted in an increase in budgeted operating disbursements of \$284,000, primarily related to costs associated with a water system generator project, property acquisition for the waste water treatment plant and capital improvements at the recreation complex.

The City's receipts were \$389,487 more than budgeted. This was primarily due to the City receiving more tax increment financing and charges for service receipts than anticipated.

The City's disbursements were \$314,700 less than the amended budget. This was primarily due to delays with the water system generator project and other public works project costs.

Even with the budget amendment, the City exceeded the amounts budgeted in the culture and recreation, debt service and capital projects functions for the year ended June 30, 2017.

DEBT ADMINISTRATION

At June 30, 2017, the City had \$1,030,000 of bonds outstanding and \$5,000 of lease-purchase agreement debt outstanding, compared to \$1,135,000 of bonds and \$17,000 of lease-purchase agreement debt outstanding last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2017	2016
General obligation bonds	\$ 1,030,000	1,135,000
Lease-purchase agreement	5,000	17,000
Total	<u>\$ 1,035,000</u>	<u>1,152,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$1,164,801 (including \$129,801 of annually appropriated developer agreements) is significantly below its constitutional debt limit of approximately \$3 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Van Meter's elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment as of September 2017 for Dallas County stands at 2.2%, which compares with the State's unemployment rate of 3.2% and the national unemployment rate of 4.2%.

These indicators were taken into account when adopting the budget for fiscal year 2018. Amounts available for appropriation in the operating budget are approximately \$2,300,000, a decrease of 7.2% from the final fiscal year 2017 budget. The decrease is due primarily to less resources available as a result of ongoing capital projects. Budgeted disbursements are expected to decrease approximately \$15,000 from the final fiscal year 2017 budget. The City has added no major new programs or initiatives to the fiscal year 2018 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$325,000 by the close of fiscal year 2018.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jake Anderson, City Administrator, 505 Grant Street, PO Box 160, Van Meter, Iowa 50261.

Basic Financial Statements

City of Van Meter

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2017

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 278,862	-	99,459
Public works	189,502	160,896	126,130
Culture and recreation	242,514	34,634	51,229
Community and economic development	149,065	56,053	-
General government	184,676	17,318	-
Debt service	148,777	-	-
Capital projects	33,326	-	-
Total governmental activities	1,226,722	268,901	276,818
Business type activities:			
Water	251,322	297,566	-
Sewer	158,177	161,863	-
Total business type activities	409,499	459,429	-
Total	\$ 1,636,221	728,330	276,818
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Commercial/industrial tax replacement			
Unrestricted interest on investments			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
Cash Basis Net Position			
Restricted:			
Nonexpendable:			
Cemetery perpetual care			
Expendable:			
Streets			
Urban renewal purposes			
Capital projects			
Other purposes			
Unrestricted			
Total cash basis net position			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(179,403)	-	(179,403)
97,524	-	97,524
(156,651)	-	(156,651)
(93,012)	-	(93,012)
(167,358)	-	(167,358)
(148,777)	-	(148,777)
(33,326)	-	(33,326)
(681,003)	-	(681,003)
-	46,244	46,244
-	3,686	3,686
-	49,930	49,930
(681,003)	49,930	(631,073)
343,086	-	343,086
82,407	-	82,407
298,926	-	298,926
4,800	-	4,800
5,446	-	5,446
37,207	(37,207)	-
771,872	(37,207)	734,665
90,869	12,723	103,592
957,984	141,718	1,099,702
\$ 1,048,853	154,441	1,203,294
\$ 24,350	-	24,350
101,510	-	101,510
490,141	-	490,141
100,233	37,710	137,943
143,082	-	143,082
189,537	116,731	306,268
\$ 1,048,853	154,441	1,203,294

City of Van Meter

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2017

		Special Revenue	
		Road	Urban
		Use	Renewal
	General	Tax	Tax Increment
Receipts:			
Property Tax	\$ 242,968	-	-
Tax increment financing	-	-	298,926
Other city tax	12,852	-	-
Licenses and permits	105,446	-	-
Use of money and property	5,446	-	-
Intergovernmental	87,814	126,130	-
Charges for service	139,647	-	-
Miscellaneous	50,677	-	-
Total receipts	644,850	126,130	298,926
Disbursements:			
Operating:			
Public safety	216,205	-	-
Public works	89,702	85,007	-
Culture and recreation	140,814	-	-
Community and economic development	3,250	-	145,815
General government	162,934	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	612,905	85,007	145,815
Excess (deficiency) of receipts over (under) disbursements	31,945	41,123	153,111
Other financing sources (uses):			
Transfers in	58,214	-	-
Transfers out	(60,550)	-	(51,548)
Total other financing sources (uses)	(2,336)	-	(51,548)
Change in cash balances	29,609	41,123	101,563
Cash balances beginning of year	169,046	60,387	388,578
Cash balances end of year	\$ 198,655	101,510	490,141
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Streets	-	101,510	-
Urban renewal purposes	-	-	490,141
Capital projects	-	-	-
Other purposes	-	-	-
Unassigned	198,655	-	-
Total cash basis fund balances	\$ 198,655	101,510	490,141

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
79,442	-	82,843	405,253
-	-	-	298,926
2,965	-	4,423	20,240
-	-	-	105,446
-	-	1	5,447
703	-	8,446	223,093
-	-	150	139,797
-	-	31,505	82,182
83,110	-	127,368	1,280,384
-	-	62,657	278,862
-	-	14,793	189,502
-	-	101,700	242,514
-	-	-	149,065
-	-	21,742	184,676
148,777	-	-	148,777
-	33,326	-	33,326
148,777	33,326	200,892	1,226,722
(65,667)	(33,326)	(73,524)	53,662
51,548	-	60,550	170,312
-	(13,830)	(7,177)	(133,105)
51,548	(13,830)	53,373	37,207
(14,119)	(47,156)	(20,151)	90,869
5,001	147,389	187,583	957,984
(9,118)	100,233	167,432	1,048,853
-	-	24,350	24,350
-	-	-	101,510
-	-	-	490,141
-	100,233	-	100,233
-	-	143,082	143,082
(9,118)	-	-	189,537
(9,118)	100,233	167,432	1,048,853

City of Van Meter

City of Van Meter

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2017

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 297,566	161,863	459,429
Operating disbursements:			
Business type activities	251,322	158,177	409,499
Excess of operating receipts over operating disbursements	46,244	3,686	49,930
Transfers out	(37,207)	-	(37,207)
Change in cash balances	9,037	3,686	12,723
Cash balances beginning of year	129,934	11,784	141,718
Cash balances end of year	\$ 138,971	15,470	154,441
Cash Basis Fund Balances			
Restricted for capital projects	37,710	-	37,710
Unrestricted	101,261	15,470	116,731
Total cash basis fund balances	\$ 138,971	15,470	154,441

City of Van Meter

City of Van Meter

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

The City of Van Meter is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Van Meter has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Van Meter (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational financial relationship with the City.

Blended Component Unit

The Van Meter Firefighters Association (Association) was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa. The Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Association is legally separate from the City, its purpose is to benefit the City of Van Meter (the primary government) by soliciting contributions and managing those funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission and Dallas County Joint E-911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the culture and recreation, debt service and capital projects functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) **Indebtedness**

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 135,000	39,478	174,478
2019	90,000	35,807	125,807
2020	55,000	33,037	88,037
2021	55,000	31,287	86,287
2022	60,000	29,538	89,538
2023-2027	320,000	112,163	432,163
2028-2032	270,000	47,412	317,412
2033	45,000	2,138	47,138
Total	\$ 1,030,000	330,860	1,360,860

Lease-Purchase Agreement

On July 14, 2014, the City entered into an interest free lease-purchase agreement for the Bob Feller Museum. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2017:

Year Ending June 30,	Amount
2018	\$ 5,000

Payments under this lease-purchase agreement totaled \$12,000 during the year ended June 30, 2017.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally at age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protective occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City’s contributions to IPERS for the year ended June 30, 2017 were \$36,592.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$272,007 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the City’s proportion was 0.004322%, which was an increase of .000809% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$38,111, \$97,096 and \$46,498, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Rate of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 477,691	272,007	98,453

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 6 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$625 for single coverage and \$1,999 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2017, the City contributed \$113,706 and plan members eligible for benefits did not contribute to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2017, primarily relating to the General Fund, is \$23,600 for vacation. This liability has been computed based on rates of pay in effect at June 30, 2017.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Emergency	\$ 7,177
	Capital Projects	13,830
	Enterprise:	
	Water	37,207
		<u>58,214</u>
Special Revenue:		
VM Community Betterment	General	1,000
Library Trust	General	59,550
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	51,548
Total		<u>\$ 170,312</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Development Agreements

The City has entered into two development agreements to assist in urban renewal projects, as follows:

The City agreed to make payments to the developer under Chapters 15A and 403 of the Code of Iowa. The total to be paid by the City under this agreement is not to exceed the lesser of the amount of the developer's improvement costs or \$250,000. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property, reduced by the minimum amount required by section 403.22 of the Code of Iowa. The low and moderate income set aside amount shall be retained by the City for the purpose of providing assistance to low and moderate income families. During the year ended June 30, 2017, \$15,290 was rebated to the developer. The outstanding balance on this agreement at June 30, 2017 is \$126,374, which is subject to annual appropriation.

The City agreed to assist in urban renewal projects for the development of improvements to the sanitary sewer, water utility and street systems. The developer proposed to pay the initial costs of constructing the project improvements provided the City agreed to provide tax increment financing assistance to the developer to repay the costs over time. The City agreed to make annual payments to the developer under Chapters 15A and 403 of the Code of Iowa. The total to be paid by the City is not to exceed the developer's improvement costs or \$1,300,000. The agreement consists of three phases and the duration of the agreements is ten years for each of the three phases. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property, reduced by the minimum amount required by Section 403.22 of the Code of Iowa. The low and moderate income set aside amount shall be retained by the City for the purpose of providing assistance to low and moderate income families. During the year ended June 30, 2017, \$127,663 was rebated to the developer. The outstanding balance on this agreement at June 30, 2017 is \$636,952, which is subject to annual appropriation.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2017, the City abated \$66,368 of property tax under the urban renewal and economic development projects.

(11) Deficit Balance

The Debt Service Fund has a deficit balance of \$9,118 at June 30, 2017. The deficit balance was a result of the timing of transfers to the Debt Service Fund for the payment of principal and interest on the general obligation bonds. Transfers from the Special Revenue, Urban Renewal Tax Increment Fund were made subsequent to June 30, 2017, eliminating the deficit balance.

(12) New Accounting Pronouncement

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the City's tax abatements.

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

(14) Subsequent Event

In November 2017, the City drew \$185,000 against a water revenue anticipation project note, which was approved and issued in March 2015, to be used for a water treatment plant project.

Other Information

City of Van Meter

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	405,253	-	-
Tax increment financing	298,926	-	-
Other city tax	20,240	-	-
Licenses and permits	105,446	-	-
Use of money and property	5,447	-	1
Intergovernmental	223,093	-	-
Charges for service	139,797	459,429	-
Miscellaneous	82,182	-	9,827
Total receipts	1,280,384	459,429	9,828
Disbursements:			
Public safety	278,862	-	4,553
Public works	189,502	-	-
Culture and recreation	242,514	-	-
Community and economic development	149,065	-	-
General government	184,676	-	-
Debt service	148,777	-	-
Capital projects	33,326	-	-
Business type activities	-	409,499	-
Total disbursements	1,226,722	409,499	4,553
Excess (deficiency) of receipts over (under) disbursements	53,662	49,930	5,275
Other financing sources, net	37,207	(37,207)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	90,869	12,723	5,275
Balances beginning of year	957,984	141,718	12,259
Balances end of year	\$ 1,048,853	154,441	17,534

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
405,253	404,913	404,913	340
298,926	183,000	183,000	115,926
20,240	50,917	50,917	(30,677)
105,446	8,800	8,800	96,646
5,446	4,500	4,500	946
223,093	198,905	198,905	24,188
599,226	476,750	476,750	122,476
72,355	12,713	12,713	59,642
1,729,985	1,340,498	1,340,498	389,487
274,309	263,240	310,240	35,931
189,502	337,050	337,050	147,548
242,514	123,826	175,826	(66,688)
149,065	206,001	206,001	56,936
184,676	168,988	198,988	14,312
148,777	110,285	147,285	(1,492)
33,326	-	-	(33,326)
409,499	452,978	570,978	161,479
1,631,668	1,662,368	1,946,368	314,700
98,317	(321,870)	(605,870)	704,187
-	-	-	-
98,317	(321,870)	(605,870)	704,187
1,087,443	1,146,112	1,146,112	(58,669)
1,185,760	824,242	540,242	645,518

City of Van Meter

Notes to Other Information – Budgetary Reporting

June 30, 2017

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$284,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the culture and recreation, debt service and capital projects functions.

City of Van Meter

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Three Years*

Other Information

	2017	2016	2015
City's proportion of the net pension liability	0.004322%	0.003513%	0.003513%
City's proportionate share of the net pension liability	\$ 272,007	173,559	139,339
City's covered-employee payroll	\$ 380,453	306,666	298,437
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	71.50%	56.60%	46.69%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

* In accordance with GASB No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Van Meter

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years

Other Information

	2017	2016	2015	2014
Statutory required contribution	\$ 36,592	34,665	28,059	27,249
Contributions in relation to the statutorily required contribution	(36,592)	(34,665)	(28,059)	(27,249)
Contribution deficiency (excess)	-	-	-	-
City's covered-employee payroll	\$ 395,855	380,486	306,666	298,437
Contributions as a percentage of covered-employee payroll	9.24%	9.11%	9.15%	9.13%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
20,750	19,829	17,566	16,731	14,255	13,020
(20,750)	(19,829)	(17,566)	(16,731)	(14,255)	(13,020)
-	-	-	-	-	-
233,794	235,409	238,949	236,488	210,440	197,850
8.88%	8.42%	7.35%	7.07%	6.77%	6.58%

City of Van Meter

Notes to Other Information – Pension Liability

Year ended June 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Supplementary Information

City of Van Meter

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2017

	Parks and Recreation Trust	Employee Benefits	Van Meter Firefighters Association
Receipts:			
Property tax	\$ -	76,185	-
Other city tax	-	4,068	-
Use of money and property	-	-	1
Intergovernmental	-	965	-
Charges for service	-	-	-
Miscellaneous	9,243	-	9,827
Total receipts	9,243	81,218	9,828
Disbursements:			
Public safety	-	58,104	4,553
Public works	-	14,793	-
Culture and recreation	6,705	26,292	-
General government	-	21,742	-
Total disbursements	6,705	120,931	4,553
Excess (deficiency) of receipts over (under) disbursements	2,538	(39,713)	5,275
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Change in cash balances	2,538	(39,713)	5,275
Cash balances beginning of year	36,786	52,584	12,259
Cash balances end of year	\$ 39,324	12,871	17,534
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for other purposes	39,324	12,871	17,534
Total cash basis fund balances	\$ 39,324	12,871	17,534

See accompanying independent auditor's report.

Special Revenue			Permanent	
VM Community Betterment	Library Trust	Emergency	Cemetery Perpetual Care	Total
-	-	6,658	-	82,843
-	-	355	-	4,423
-	-	-	-	1
-	7,397	84	-	8,446
-	-	-	150	150
10,812	1,123	-	500	31,505
10,812	8,520	7,097	650	127,368
-	-	-	-	62,657
-	-	-	-	14,793
9,023	59,680	-	-	101,700
-	-	-	-	21,742
9,023	59,680	-	-	200,892
1,789	(51,160)	7,097	650	(73,524)
1,000	59,550	-	-	60,550
-	-	(7,177)	-	(7,177)
1,000	59,550	(7,177)	-	53,373
2,789	8,390	(80)	650	(20,151)
3,970	57,830	454	23,700	187,583
6,759	66,220	374	24,350	167,432
-	-	-	24,350	24,350
6,759	66,220	374	-	143,082
6,759	66,220	374	24,350	167,432

City of Van Meter
Schedule of Indebtedness
Year ended June 30, 2017

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Street improvement	Aug 27, 2008	3.20-4.20%	\$ 300,000
Water improvement	Aug 15, 2011	4.00-4.75	265,000
Corporate purpose and refunding	Sep 9, 2013	1.00-4.75	995,000
Total			
Lease-purchase agreement:			
Bob Feller Museum	Jul 14, 2014	0.00-0.00%	\$ 39,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
105,000	-	35,000	70,000	4,340
225,000	-	10,000	215,000	10,200
805,000	-	60,000	745,000	27,638
<u>\$ 1,135,000</u>	<u>-</u>	<u>105,000</u>	<u>1,030,000</u>	<u>42,178</u>
 \$ 17,000	 -	 12,000	 5,000	 -

Schedule 3

City of Van Meter

Bond Maturities

June 30, 2017

Year Ending June 30,	General Obligation Bonds							
	Street Improvement		Water Improvement		Corporate Purpose and Refunding			Total
	Issued Aug 27, 2008		Issued Aug 15, 2011		Issued Sep 9, 2013			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2018	4.20%	\$ 35,000	4.00%	\$ 10,000	2.00%	\$ 90,000	135,000	
2019	4.20	35,000	4.00	10,000	2.00	45,000	90,000	
2020		-	4.00	10,000	3.00	45,000	55,000	
2021		-	4.00	10,000	3.00	45,000	55,000	
2022		-	4.00	15,000	3.00	45,000	60,000	
2023		-	4.75	15,000	3.50	50,000	65,000	
2024		-	4.75	15,000	3.50	50,000	65,000	
2025		-	4.75	15,000	4.00	55,000	70,000	
2026		-	4.75	15,000	4.00	50,000	65,000	
2027		-	4.75	20,000	4.00	35,000	55,000	
2028		-	4.75	20,000	4.50	35,000	55,000	
2029		-	4.75	20,000	4.50	35,000	55,000	
2030		-	4.75	20,000	4.50	40,000	60,000	
2031		-	4.75	20,000	4.75	40,000	60,000	
2032		-		-	4.75	40,000	40,000	
2033		-		-	4.75	45,000	45,000	
Total		\$ 70,000		\$ 215,000		\$ 745,000	1,030,000	

See accompanying independent auditor's report.

City of Van Meter

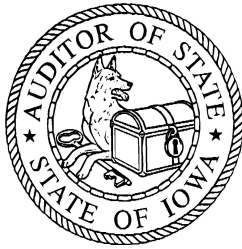
Schedule of Receipts By Source and Disbursements By Function –
All Governmental Funds

For the Last Four Years

	2017	2016	2015	2014
Receipts:				
Property tax	\$ 405,253	385,576	385,631	420,233
Tax increment financing	298,926	290,991	238,401	197,761
Other city tax	20,240	21,982	22,196	90,412
Licences and permits	105,446	79,723	70,737	12,779
Use of money and property	5,447	4,379	5,386	5,384
Intergovernmental	223,093	240,782	160,719	294,230
Charges for service	139,797	128,295	108,760	104,735
Miscellaneous	82,182	70,445	77,343	153,557
Total receipts	<u>\$ 1,280,384</u>	<u>1,222,173</u>	<u>1,069,173</u>	<u>1,279,091</u>
Disbursements:				
Operating:				
Public safety	\$ 278,862	304,451	156,945	156,002
Public works	189,502	250,197	191,053	362,578
Health and social services	-	-	600	-
Culture and recreation	242,514	255,868	96,280	175,079
Community and economic development	149,065	122,717	143,159	190,105
General government	184,676	216,856	213,083	136,818
Debt service	148,777	151,453	153,483	590,200
Capital projects	33,326	36,825	13,681	407,558
Total disbursements	<u>\$ 1,226,722</u>	<u>1,338,367</u>	<u>968,284</u>	<u>2,018,340</u>

See accompanying independent auditor's report.

City of Van Meter



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

Mary Mosiman, CPA
Auditor of State

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Van Meter, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 23, 2018. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Van Meter's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Van Meter's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Van Meter's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Van Meter's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (D) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Van Meter's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The City of Van Meter's Responses to the Findings

The City of Van Meter's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Van Meter's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Van Meter during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State

January 23, 2018

City of Van Meter
Schedule of Findings
Year ended June 30, 2017

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, a limited number of individuals in the City are responsible for the following areas:

- 1) Cash – bank reconciling, petty cash, change fund, handling and recording.
- 2) Receipts – collecting, depositing, recording and daily reconciling. Also, a listing of receipts is not prepared by the mail opener.
- 3) Credit card disbursements – access to credit cards, approval and posting.
- 4) Long-term debt – recording, reconciling and maintaining. Also, paid bonds and coupons are not reconciled by an independent person.
- 5) Journal entries – preparing and recording.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Response – The City will utilize the Finance Committee of the City Council to provide further review of bank reconciliations, petty cash, change fund, receipts, payroll, long term debt and journal entries.

Conclusion – Response accepted.

City of Van Meter
Schedule of Findings
Year ended June 30, 2017

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – During the audit, we identified a material amount of receipts not posted correctly. Adjustments were subsequently made by the City to properly record the receipts in the City's financial statements.

Cause – City policies do not require and procedures have not been established to provide for an independent review of receipts to ensure the City's financial statements are accurate.

Effect – Lack of City policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions. As a result material adjustments to the City's financial statements were necessary.

Recommendation – The City should implement procedures to ensure receipts are properly recorded in the City's financial statements.

Response – This will be monitored more closely in the future.

Conclusion – Response accepted.

(C) Segregation of Duties (Van Meter Firefighters Association)

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Association's financial statements.

Condition – One person has control over each of the following areas for the Association:

- 1) Cash – bank reconciling, handling and recording cash. Also, bank reconciliations are not reviewed by an independent person.
- 2) Receipts – collecting, depositing, recording and daily reconciling. Also, a listing of receipts is not prepared by the mail opener.
- 3) Disbursements – preparing and signing checks, approving, recording and posting.

In addition, the Association does not have an accounting policies/procedures manual.

City of Van Meter
Schedule of Findings
Year ended June 30, 2017

Cause – The Van Meter Firefighters Association has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Van Meter Firefighters Association's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The Association should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including board members, to provide additional control through review of financial transactions, reconciliations and reports.

Response – The City will forward the recommendation to the Firefighters Association.

Conclusion – Response acknowledged. The Association should review its control activities to obtain the maximum internal control possible.

(D) Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – The reconciliation of utility billings, collections and delinquent accounts is not reviewed by an independent person.

Cause – Policies and procedures have not been established to require the reconciliations of utility billings, collections and delinquent accounts be reviewed by an independent person.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – The reconciliation of utility billings, collections and delinquent accounts should be reviewed by an independent person.

Response – The Finance Committee of the City Council will provide independent review of the reconciliation of utility billings, collections and delinquent accounts.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Van Meter
Schedule of Findings
Year ended June 30, 2017

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the culture and recreation, debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – In the future, the budget will be amended in accordance with Chapter 384.18 of the Code of Iowa.

Conclusion – Response accepted.

- (2) Questionable Disbursement – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1.
- (9) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required.

Recommendation – Outstanding checks should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State, as required.

Response – Given the cost of stop-payment fees at the bank, management has been reluctant to process the outstanding obligations. The City will take steps to comply with Chapter 556.11 of the Code of Iowa.

Conclusion – Response accepted.

City of Van Meter
Schedule of Findings
Year ended June 30, 2017

- (10) Financial Condition – The Debt Service Fund had a deficit balance of \$9,118 at June 30, 2017.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The deficit balance was a result of the timing of transfers to the Debt Service Fund. This deficit was eliminated subsequent to June 30, 2017 with a transfer of funds.

Conclusion – Response accepted.

City of Van Meter

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Christian E. Cottingham, Senior Auditor
Madeline W. Petellin, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly legible.

Andrew E. Nielsen, CPA
Deputy Auditor of State